

BUTTE COUNTY

AUDIT REPORT

For the Two Years Ended December 31, 2005

**BUTTE COUNTY
COUNTY OFFICIALS
December 31, 2005**

Board of Commissioners:

**Kim Kling
Marvin Kindfater
Steve Smeenk
Stan Harms
Ken Hansen**

Auditor:

Elaine Jensen

Treasurer:

Dee Schuldies

State's Attorney:

James Seward

Register of Deeds:

Paula Walker

Sheriff:

Fred Lamphere

BUTTE COUNTY
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

County Commission
Butte County
Belle Fourche, South Dakota

We have audited the modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Butte County, South Dakota (County), as of December 31, 2005 and 2004, and for each of the years then ended which collectively comprise the County's financial statements and have issued our report thereon dated December 20, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item No. 2005-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item No. 2005-01.

We also noted certain additional matters that we reported to management of the County in a separate communication dated December 20, 2006.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, and the governing board and management of Butte County, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §__.320, this report is matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Martin L. Guindon". The signature is stylized with a large, looped "M" and a cursive "Guindon".

Martin L. Guindon, CPA
Auditor General

December 20, 2006



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

County Commission
Butte County
Belle Fourche, South Dakota

Compliance

We have audited the compliance of Butte County, South Dakota (County) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the biennial period ended December 31, 2005. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Butte County, South Dakota complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the biennial period ended December 31, 2005.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, the governing board and management of Butte County, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §___.320, this report is matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Martin L. Guindon". The signature is fluid and cursive, with a large initial "M" and "G".

Martin L. Guindon, CPA
Auditor General

December 20, 2006

BUTTE COUNTY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Prior Other Audit Findings:

Finding No. 2003-01:

The county auditor did not publish or file with the Auditor General of the Department of Legislative Audit on a timely basis annual financial report for the year ended December 31, 2003 in violation of South Dakota Codified Laws (SDCL) 7-10-4. This finding is restated as current other audit finding number 2005-01.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

- a. An unqualified opinion was issued on the financial statements presented on an other comprehensive basis of accounting - modified cash basis.
- b. A reportable condition and material weakness was disclosed by our audit of the financial statements for not publishing or filing the 2004 and 2005 annual reports as required by South Dakota Codified Law and for not reconciling bank balances to the general ledger and the treasurer daily balance book as discussed in findings number 2005-01 and 2005-02.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.
- d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- f. The federal awards tested as major programs were:
 - 1. Payment in Lieu of Taxes CFDA# 15.226
 - 2. Homeland Security
 - State Domestic Preparedness Equipment Support Program CFDA# 97.004
 - Emergency Management Performance Grant (CY 04) CFDA# 97.042
 - Homeland Security Grant Program CFDA# 97.067
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- h. Butte County did not qualify as a low-risk entity.

Current Federal Audit Findings:

There are no written current federal compliance audit findings to report.

Current Other Audit Findings:

Finding No. 2005-01:

The county auditor did not publish or file with the Auditor General of the Department of Legislative Audit on a timely basis annual financial reports for the years ended December 31, 2004 and December 31, 2005 in violation of South Dakota Codified Laws (SDCL) 7-10-4. This is the fourth consecutive audit in which a similar deficiency has been reported.

Analysis:

SDCL 7-10-4 states:

The county auditor shall prepare by the first day of March of each year a report of the revenues and expenditures of the previous year and the assets, liabilities and equity of the county as of December thirty-first of the previous year. The report shall be made in the form prescribed by the auditor-general and shall be published within thirty days in the official newspapers of the county. A copy of the publication shall be filed with the auditor-general.

The annual financial reports for Butte County for the years ended December 31, 2004 and December 31, 2005 were not published and filed with the Department of Legislative Audit. In addition to being a violation of SDCL 7-10-4, the county auditor's failure to prepare and publish the annual financial reports on a timely basis resulted in withholding financial information from the taxpayers of the county.

RECOMMENDATION:

1. We recommend that future county annual financial reports be properly prepared, published and filed with the Department of Legislative Audit.

Finding No. 2005-02:

Deficiencies were noted in internal accounting control and record keeping resulting in a diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded.

Analysis:

The following deficiencies in internal accounting control and record keeping were noted:

- a. From July 1, 2004 through December 31, 2005, the monthly reconciliation of bank balances to corresponding treasurer daily balance book balances was not performed.
- b. From March 1, 2004 through December 31, 2005, a proper general ledger was not maintained or reconciled to bank balances by the county as required by South Dakota Codified Law 7-10-2.

Internal accounting control deficiencies diminish reasonable assurances that transactions are properly executed and recorded and that assets are properly safeguarded.

RECOMMENDATIONS:

2. We recommend monthly reconciliation of bank balances to corresponding treasurer daily balance book be made.
3. We recommend a general ledger be properly established and maintained and reconciled monthly to bank balances.

Auditee's Corrective Action Plan:

As noted in the audit findings, a reconciliation of bank balances was not being performed in the Treasurer's office from July 1, 2004 through December 31, 2005. The Butte County Board of Commissioners has contracted with an Independent Firm to assist the Treasurer in preparation of the monthly reconciliation of bank balances and the Treasurer's daily balance book.

This action will maintain internal control of cash reserves for the county and allow the Auditor's office the information necessary to prepare, publish and file the General Ledger Reconciliation and Annual reports in a timely manner.

Closing Conference

The contents of this report were discussed with county auditor, treasurer and board of county commissioners on December 20, 2006.



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

County Commission
Butte County
Belle Fourche, South Dakota

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Butte County, South Dakota, as of December 31, 2005 and 2004, and for each of the years then ended, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of Butte County, South Dakota as of December 31, 2005 and 2004, and the respective changes in financial position-modified cash basis, where applicable, thereof for each of the years then ended in conformity with the modified cash basis of accounting described in Note 1.c. to the financial statements.

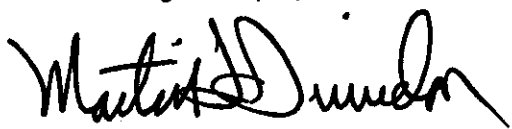
As described in Note 1.c., the County has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of December 31, 2004. Accordingly a comparison of the accompanying financial statements to financial statements presented in prior years is not recommended. Concurrent with the implementation of the new financial reporting model, the County changed its basis of accounting from a basis consistent with accounting principles generally accepted in the United States to a modified cash basis.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2006 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The County has not presented the Management's Discussion and Analysis and Budgetary Comparison Schedule that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Schedule of Changes in Long-Term Debt listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Martin L. Guindon". The signature is stylized with a large, looped "M" and a cursive "Guindon".

Martin L. Guindon, CPA
Auditor General

December 20, 2006

BUTTE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
December 31, 2005

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ 1,906,924.07
Investments	<u>1,181,928.81</u>
TOTAL ASSETS	<u><u>\$ 3,088,852.88</u></u>
NET ASSETS:	
Restricted for: (See Note 5)	
Road and Bridge Purposes	\$ 1,209,316.23
Other Purposes	187,475.92
Unrestricted	<u>1,692,060.73</u>
TOTAL NET ASSETS	<u><u>\$ 3,088,852.88</u></u>

The notes to the financial statements are an integral part of this statement.

BUTTE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				Primary Government Activities
Governmental Activities:				
General Government	\$ 1,156,546.90	\$ 239,241.01	\$ 31,518.83	\$ (885,787.06)
Public Safety	1,226,936.41	208,070.87	251,065.77	(767,799.77)
Public Works	1,121,330.13	1,124.36	612,646.29	(507,559.48)
Health and Welfare	80,762.04	18,670.32		(62,091.72)
Culture and Recreation	10,408.57			20,841.43
Conservation of Natural Resources	114,595.70	32,862.37		(81,733.33)
Urban and Economic Development	68,041.95			(68,041.95)
Total Primary Government	\$ 3,778,621.70	\$ 499,968.93	\$ 895,230.89	\$ 31,250.00
				(2,352,171.88)
General Revenues:				
Taxes:				
Property Taxes				1,859,042.61
Wheel Tax				94,878.84
911 Telephone Surcharge				74,330.93
State Shared Revenues				81,024.88
Grants and Contributions not Restricted to Specific Programs				228,620.00
Unrestricted Investment Earnings				56,509.84
Miscellaneous Revenue				26,798.42
Total General Revenues				2,421,205.52
Change in Net Assets				69,033.64
Net Assets - Beginning				3,019,819.24
NET ASSETS - ENDING				\$ 3,088,852.88

The notes to the financial statements are an integral part of this statement.

BUTTE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2004

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary Government:				
Governmental Activities:				
General Government	\$ 1,000,946.31	\$ 210,830.57	\$	\$ (790,115.74)
Public Safety	953,531.11	183,411.92	153,843.05	(616,276.14)
Public Works	1,144,435.09	568.79	619,805.59	(524,260.71)
Health and Welfare	87,533.49	18,098.11		(69,435.38)
Culture and Recreation	14,728.11	35,521.39		104,250.08
Conservation of Natural Resources	102,640.53			(102,640.53)
Urban and Economic Development	80,214.38			(80,214.38)
Total Primary Government	\$ 3,384,029.02	\$ 448,430.78	\$ 773,448.64	\$ (2,078,692.80)
General Revenues:				
Taxes:				
Property Taxes				1,744,423.04
Wheel Tax				93,148.30
911 Telephone Surcharge				63,803.63
State Shared Revenues				107,848.09
Grants and Contributions not Restricted to Specific Programs				223,690.00
Unrestricted Investment Earnings				56,491.94
Miscellaneous Revenue				18,719.36
Total General Revenues				2,308,124.36
Change in Net Assets				229,431.56
Net Assets - Beginning				2,861,955.70
Adjustments:				
Effect Due to Accounting Change (See Note 7)				(71,568.02)
Adjusted Net Assets - Beginning				2,790,387.68
NET ASSETS - ENDING				\$ 3,019,819.24

The notes to the financial statements are an integral part of this statement.

BUTTE COUNTY
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2005

	General Fund	Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 510,131.92	\$ 1,209,316.23	\$ 187,475.92	\$ 1,906,924.07
Investments	1,181,928.81			1,181,928.81
TOTAL ASSETS	\$ 1,692,060.73	\$ 1,209,316.23	\$ 187,475.92	\$ 3,088,852.88
FUND BALANCES:				
Reserved For:				
Snow Removal	\$	\$ 623,401.68	\$	\$ 623,401.68
HBR		145,888.82		145,888.82
Secondary Road		204,088.70		204,088.70
Wheel Tax		58,831.15		58,831.15
Unreserved Fund Balances:				
Designated for Capital Outlay Accumulations	526,000.00	72,051.00		598,051.00
Designated for Other Purposes	5,091.92			5,091.92
Undesignated	1,160,968.81	105,054.88		1,266,023.69
Reported in:				
Special Revenue Funds			187,475.92	187,475.92
TOTAL FUND BALANCES	\$ 1,692,060.73	\$ 1,209,316.23	\$ 187,475.92	\$ 3,088,852.88

The notes to the financial statements are an integral part of this statement.

BUTTE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

	General Fund	Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
Revenue:				
Taxes:				
General Property Taxes—Current	\$ 1,523,293.08	\$ 135,415.05	\$ 45,912.28	\$ 1,704,620.41
General Property Taxes—Delinquent	32,660.22	2,929.16	1,078.78	36,668.16
Penalties and Interest	9,419.25	839.16	322.04	10,580.45
Telephone Tax (Outside)	8,841.28			8,841.28
Mobile Home Tax	88,004.80	7,834.18	2,493.33	98,332.31
Wheel Tax		94,878.84		94,878.84
911 Telephone Surcharge			74,330.93	74,330.93
Licenses and Permits	6,999.25		3,042.75	10,042.00
Intergovernmental Revenue:				
Federal Grants	94,903.39		187,412.38	282,315.77
Federal Payments in Lieu of Taxes	228,620.00			228,620.00
State Shared Revenue:				
Bank Franchise	25,066.18			25,066.18
Motor Vehicle Licenses	21,074.61	222,762.86		243,837.47
State Highway Fund				
(former 10% game)		76,451.42		76,451.42
Court Appointed Attorney/ Public Defender	13,473.94			13,473.94
Prorate/Port of Entry Fees		292,152.91		292,152.91
Abused and Neglected Child Defense	18,044.89			18,044.89
Secondary Road Motor Vehicle Remittances			204.49	204.49
Telecommunications Gross Receipts Tax	39,268.70		16,690.00	55,958.70
Other Intergovernmental Revenue	100,686.00			100,686.00

Charges for Goods and Services:			
General Government:			
Treasurer's Fees	12,253.89		12,253.89
Register of Deeds' Fees	117,886.00		117,886.00
Legal Services	22,915.26		23,940.26
Clerk of Courts Fees	28,928.18		28,928.18
Public Safety:			
Law Enforcement	92,790.75		92,790.75
Health and Welfare:			
Economic Assistance:			
Poor Lien Recoveries	4,051.37		4,051.37
Other	198.83		198.83
Health Assistance:			
WIC		14,420.12	14,420.12
Conservation of Natural Resources			
Other Charges	32,862.37		32,862.37
Fines and Forfeits:	46,760.68		47,885.04
Costs	12,024.12		12,024.12
Forfeits	2,000.00		2,000.00
Miscellaneous Revenue:			
Investment Earnings	55,628.48	881.36	56,509.84
Refund of Prior Year's Expenditures	6.44		6.44
Other	9,530.96		26,791.98
Total Revenue	2,648,192.92	17,261.02	26,791.98
		347,813.46	3,847,655.34

Expenditures:			
General Government:			
Legislative:			
Board of County Commissioners	98,761.59		98,761.59
Elections	7,489.27		7,489.27
Judicial System	56,863.06		56,863.06
Financial Administration:			
Auditor	91,283.20		91,283.20
Treasurer	114,096.10		114,096.10
Other (Insurance)	90,280.00		90,280.00
Legal Services:			
State's Attorney	166,490.81		166,490.81
Public Defender	61,279.41		61,279.41
Court Appointed Attorney	107,616.36		107,616.36

BUTTE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005
(continued)

	General Fund	Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
Other			22,110.04	22,110.04
Other Administration:				
General Government Building	91,202.87			91,202.87
Director of Equalization	150,413.71			150,413.71
Register of Deeds	61,996.31			61,996.31
Veterans Service Officer	11,362.74			11,362.74
Predatory Animal (GFP)	17,634.91			17,634.91
Public Safety:				
Law Enforcement:				
Sheriff	348,646.27			348,646.27
County Jail	153,675.75			153,675.75
Coroner	13,982.74			13,982.74
Juvenile Detention	46,848.79			46,848.79
Protective and Emergency Services:				
Fire Protection			29,500.00	29,500.00
Emergency and Disaster Services			220,353.91	220,353.91
Communication Center	261,123.52		86,353.89	347,477.41
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges		984,726.07		984,726.07
Health and Welfare:				
Economic Assistance:				
Support of Poor	4,667.40			4,667.40
Health Assistance:				
County Nurse	17,217.54			17,217.54
Ambulance	140.94			140.94
WIC			14,247.39	14,247.39
Social Services:				

Domestic Abuse				
Mental Health Services:				
Mentally Ill	32,111.30			3,850.00
Developmentally Disabled	720.00			32,111.30
Mental Illness Board	7,807.47			720.00
Culture and Recreation:				7,807.47
Culture:				
Public Library				
Recreation:				
County Fair	1,500.00			8,908.57
Conservation of Natural Resources:				1,500.00
Soil Conservation:				
County Extension	41,883.73			41,883.73
Soil Conservation Districts	7,500.00			7,500.00
Weed and Pest Control	65,211.97			65,211.97
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	36,291.95			36,291.95
Urban and Rural Development	31,250.00			31,250.00
Economic Development:				
Other	500.00			500.00
Debt Service	69,829.06		51,086.61	120,915.67
Capital Outlay	4,289.00		85,517.45	89,806.45
Total Expenditures	<u>2,271,967.77</u>	<u>1,121,330.13</u>	<u>385,323.80</u>	<u>3,778,621.70</u>
Other Financing Sources (Uses):				
Transfers In		126,478.00		145,745.00
Transfers Out	<u>(145,745.00)</u>	<u>(145,745.00)</u>		<u>(145,745.00)</u>
Total Other Financing Sources (Uses)		<u>126,478.00</u>	<u>19,267.00</u>	<u>0.00</u>
Net Change in Fund Balances	230,480.15	(143,203.17)	(18,243.34)	69,033.64
Fund Balance - Beginning	<u>1,461,580.58</u>	<u>1,352,519.40</u>	<u>205,719.26</u>	<u>3,019,819.24</u>
FUND BALANCE - ENDING	<u>\$ 1,692,060.73</u>	<u>\$ 1,209,316.23</u>	<u>\$ 187,475.92</u>	<u>\$ 3,088,852.88</u>

The notes to the financial statements are an integral part of this statement.

BUTTE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2004

	General Fund	Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
Revenue:				
Taxes:				
General Property Taxes--Current	\$ 1,428,067.39	\$ 129,380.08	\$ 38,217.59	\$ 1,595,665.06
General Property Taxes--Delinquent	36,557.04	3,255.23	1,475.94	41,288.21
Penalties and Interest	9,431.92	840.05	353.21	10,625.18
Telephone Tax (Outside)	6,967.06			6,967.06
Mobile Home Tax	79,645.89	7,181.88	2,338.17	89,165.94
Wheel Tax		93,148.30		93,148.30
911 Telephone Surcharge			63,803.63	63,803.63
Tax Deed Revenue	711.59			711.59
Licenses and Permits	5,022.90		1,568.00	6,590.90
Intergovernmental Revenue:				
Federal Grants	124,769.99		109,668.95	234,438.94
Federal Payments in Lieu of Taxes	223,690.00			223,690.00
State Shared Revenue:				
Bank Franchise	32,487.58			32,487.58
Motor Vehicle Licenses	24,472.79	219,110.75		243,583.54
Inheritance Tax	4.82			4.82
State Highway Fund (former 10% game)		111,315.37		111,315.37
Prorate/Port of Entry Fees		264,706.68		264,706.68
Telecommunications Gross				
Receipts Tax	45,134.59		170.00	45,304.59
Other State Shared Revenue			26,017.92	26,017.92
State Payments in Lieu of Taxes			4,033.18	4,033.18
Other Intergovernmental Revenue	52,413.26			52,413.26
Charges for Goods and Services:				
General Government				
Treasurer's Fees	10,186.91			10,186.91

Register of Deeds' Fees	97,319.50			97,319.50
Legal Services	45,880.49			45,880.49
Clerk of Courts Fees	28,094.51		925.00	29,019.51
Public Safety:				
Law Enforcement	104,575.03			104,575.03
Public Works:				
Highways		568.79		568.79
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	2,582.83			2,582.83
Health Assistance:				
WIC			15,515.28	15,515.28
Conservation of Natural Resources	35,521.39			35,521.39
Other Charges	22,385.26		2,860.91	25,246.17
Fines and Forfeits:				
Costs	10,311.63			10,311.63
Forfeits	15,560.00			15,560.00
Miscellaneous Revenue:				
Investment Earnings	53,145.47		3,346.47	56,491.94
Refund of Prior Year's Expenditures	6,032.60			6,032.60
Other	4,348.20			4,348.20
Total Revenue	2,505,320.64	829,507.13	270,294.25	3,605,122.02

Expenditures:

General Government:				
Legislative:				
Board of County Commissioners	73,088.46			73,088.46
Elections	30,629.22			30,629.22
Judicial System	43,613.42			43,613.42
Financial Administration:				
Auditor	76,974.11			76,974.11
Treasurer	84,657.81			84,657.81
Other (Insurance)	93,188.94			93,188.94
Legal Services:				
State's Attorney	152,117.15			152,117.15
Public Defender	55,386.62			55,386.62
Court Appointed Attorney	93,222.95			93,222.95
Other		20,032.04		20,032.04
Other Administration:				
General Government Building	78,357.76			78,357.76

BUTTE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2004
(continued)

	General Fund	Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
Director of Equalization	110,136.10			110,136.10
Register of Deeds	61,385.36			61,385.36
Veterans Service Officer	6,165.15			6,165.15
Predatory Animal (GFP)	21,991.22			21,991.22
Public Safety:				
Law Enforcement:				
Sheriff	278,429.14			278,429.14
County Jail	153,947.87			153,947.87
Coroner	6,102.95			6,102.95
Juvenile Detention	42,127.61			42,127.61
Protective and Emergency Services:				
Fire Protection			26,000.00	26,000.00
Emergency and Disaster Services			148,459.27	148,459.27
Communication Center	156,242.60		88,648.28	244,890.88
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges		1,021,748.48		1,021,748.48
Health and Welfare:				
Economic Assistance:				
Support of Poor	5,618.99			5,618.99
Health Assistance:				
County Nurse	15,916.98			15,916.98
Ambulance	9,995.90		15,496.61	9,995.90
WIC				15,496.61
Social Services:				
Domestic Abuse			3,850.00	3,850.00
Mental Health Services:				
Mentally Ill	30,655.01			30,655.01
Mental Illness Board	6,000.00			6,000.00

Culture and Recreation:			
Culture:		13,228.11	13,228.11
Public Library			
Recreation:			
County Fair	1,500.00		1,500.00
Conservation of Natural Resources:			
Soil Conservation:			
County Extension	32,677.22		32,677.22
Soil Conservation Districts	7,500.00		7,500.00
Weed and Pest Control	62,463.31		62,463.31
Urban and Economic Development:			
Urban Development:			
Planning and Zoning	2,864.38		2,864.38
Urban and Rural Development	77,350.00		77,350.00
Debt Service	53,573.39	79,086.61	132,660.00
Capital Outlay		43,600.00	43,600.00
Total Expenditures	<u>1,923,879.62</u>	<u>1,144,435.09</u>	<u>3,384,029.02</u>
Other Financing Sources (Uses):			
Transfers In		3,000.00	3,000.00
Transfers Out	(3,000.00)		(3,000.00)
Sale of County Property	7,738.56	600.00	8,338.56
Total Other Financing Sources (Uses)	<u>4,738.56</u>	<u>3,000.00</u>	<u>8,338.56</u>
Net Change in Fund Balances	<u>586,179.58</u>	<u>(42,420.06)</u>	<u>229,431.56</u>
Fund Balance - Beginning	875,460.30	251,083.97	2,861,955.70
Adjustments:			
Effect Due to Accounting Change	(59.30)	(2,944.65)	(71,568.02)
(See Note 7)			
Adjusted Fund Balance - Beginning	<u>875,401.00</u>	<u>248,139.32</u>	<u>2,790,387.68</u>
FUND BALANCE - ENDING	<u>\$ 1,461,580.58</u>	<u>\$ 205,719.26</u>	<u>\$ 3,019,819.24</u>

The notes to the financial statements are an integral part of this statement.

BUTTE COUNTY
STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
December 31, 2005

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$ 348,127.58</u>
TOTAL ASSETS	<u><u>\$ 348,127.58</u></u>
NET ASSETS:	
Net Assets Held in Agency Capacity	<u>\$ 348,127.58</u>
TOTAL NET ASSETS	<u><u>\$ 348,127.58</u></u>

The notes to the financial statements are an integral part of this statement.

BUTTE COUNTY
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.c, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued after November 30, 1989, have not been applied, to the extent they are applicable to the modified cash basis of accounting. If those pronouncements conflict with or contradict GASB pronouncements, GASB pronouncements prevail.

a. Financial Reporting Entity:

The reporting entity of Butte County, (County) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The County has created a Housing and Redevelopment Commission under the authority of South Dakota Codified Law 11-7-7. This commission has not been active and there is no financial information to report.

The County participates in several cooperative units. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the County.

b. Basis of Presentation:

On June 10, 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Governmental Accounting Standards No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (No. 34). GASB No. 34 amended accounting principles generally accepted in the United States (USGAAP) by establishing a new reporting model for the annual financial reports for state and local governments, including states, cities, towns, villages, counties, school districts and special purpose governments. For the County, GASB No. 34 implementation is first required for the calendar year ending December 31, 2004. The new reporting model significantly changed the focus of the required financial statements from a focus on fund types to a focus on major funds and on government-wide information. The implementation of GASB No. 34 results in a lack of comparability between these financial statements and those presented in prior years.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the County or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the County financial reporting entity are described below:

Governmental Funds:

General Fund – the General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

County Road and Bridge Fund - to account for funds credited to the county road and bridge fund pursuant to SDCL 32-11-4.2 to be used by the board of county commissioners for grading, constructing, planning, dragging, and maintaining county highways and also for dragging, maintaining and grading secondary roads. Proper equipment for dragging grading, and maintaining highways, such as graders, tractors,

drags, maintainers, and planners may be purchased from the road and bridge fund. (SDCL 32-11-2 and 32-11-4.2) This is a major fund.

The remaining Special Revenue funds are not considered major funds: Courthouse Building, Fire Protection, Emergency and Disaster, Domestic Abuse, Public Library, WIC, Pass Through Grants and Teen Court. These funds are reported on the fund financial statements as "Other Governmental Funds".

Fiduciary Funds:

Fiduciary funds consist of the following sub-category and are never considered to be major funds:

Agency funds - Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are used to account for the accumulation and distribution of property tax revenues and various pass through funds.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

During 2004, the County changed its basis of accounting from a basis essentially in conformity with accounting principles generally accepted in the United States (USGAAP) to the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

Measurement Focus:

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the economic resources" measurement focus is used, applied within the limitations of the modified cash basis of accounting.

Basis of Accounting:

In the Government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has

been received or disbursed. The acceptable modification to the cash basis of accounting implemented by the County in these financial statements is:

Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the County applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

e. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the County's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

f. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets and is displayed in two components

1. Restricted net assets – Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between “Reserved” and “Unreserved” components. Agency Funds have no fund equity. The net assets are reported as net assets held in agency capacity.

g. Application of Net Assets:

It is the County's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. DEFICIT FUND CASH BALANCES OF INDIVIDUAL NONMAJOR FUNDS

As of December 31, 2005, the following individual nonmajor funds had deficit fund cash balances in the amounts shown:

Emergency Management Fund	\$ 22,724.69
WIC Fund	\$ 574.02

3. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The County follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The County's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than “AA” or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits County funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk – State law limits eligible investments for the County, as discussed above. The County policy is to invest in designated banks for savings, checking accounts, certificate of deposits and US treasury bonds.

Interest Rate Risk – The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The County's policy is to credit all income from deposits and investments to the General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. However, the County did not perform the transfers of investment income during 2004 or 2005. This will be corrected in the future.

4. PROPERTY TAXES

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The County is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the County.

5. RESTRICTED NET ASSETS

Restricted net assets for the year ended December 31, 2005 were as follows:

Major Funds:

Road and Bridge Fund	<u>\$ 1,209,316.23</u>
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Other Purposes:

E-911 Fund	92,326.46
Fire Fund	15,567.55
Library Fund	14,959.14
Emergency Management Fund	(22,724.69)
Domestic Abuse Fund	1,900.75
WIC Fund	(574.02)
Accumulated Building Fund	715.14
Lonetree CDBG Fund	71,323.28
Teen Court Fund	<u>13,982.31</u>

Total Other Purposes	<u>187,475.92</u>
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Total Restricted Net Assets	<u>\$ 1,396,792.15</u>
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These balances are restricted due to federal grant and statutory requirements.

6. INTERFUND TRANSFERS

Interfund transfers for the two years ended December 31, 2005 were as follows:

Year Ended December 31, 2005:

<u>Transfers From:</u>	County Road and Bridge Fund	<u>Transfers to:</u>	Total
		Aggregate Other Governmental Funds	
Major Funds:			
General Fund	\$ 126,478.00	\$ 19,267.00	\$ 145,745.00

The county typically budgets transfers to the County Road and Bridge Fund, Emergency Management Fund and the Teen Court Fund (Other Governmental Fund) to conduct the indispensable functions of the county.

Year Ended December 31, 2004:

<u>Transfers From:</u>	<u>Transfers to:</u>	
	Aggregate Other Governmental Funds	Total
Major Funds:		
General Fund	\$ 3,000.00	\$ 3,000.00

The county typically budgets transfers to the Teen Court Fund (Other Governmental Fund) to conduct the indispensable functions of the county.

7. BEGINNING FUND BALANCE ADJUSTMENTS

The January 1, 2004 beginning fund balance was adjusted due to the effect of a change in basis of accounting. For the year ended December 31, 2003, the county reported on the modified accrual basis. As of January 1, 2004, the governing board changed the basis of reporting to the modified cash basis. The following items reconcile the beginning fund balances.

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Government Wide
Expense prior year Reserve for Inventory	\$	\$ (68,576.07)	\$	\$ (68,576.07)
Affect of prior year reported accounts receivable	(87.20)		(2,944.65)	(3,031.85)
Affect of prior year reported accounts payable	27.90	12.00		39.90
Beginning Fund Balance Adjustments Due to Accounting Change - Governmental Funds	\$ (59.30)	\$ (68,564.07)	\$ (2,944.65)	\$ (71,568.02)

8. RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The County's share of contributions to the SDRS for the fiscal years ended December 31, 2005, 2004, and 2003 were \$71,144.93, \$57,747.92 and \$54,340.11, respectively, equal to the required contributions each year.

9. JOINT VENTURES

The County participates in:

Butte County Ambulance Service:

The county participates in a joint venture, known as Butte County Ambulance Service, formed for the purpose of providing ambulance services to Butte County.

The members of the joint venture and their relative percentage of participation are as follows:

County of Butte	50%
City of Belle Fourche	40%
City of Newell	10%

The joint venture's governing board is composed of five representatives, who are appointed by the participating government's boards. Butte County and the City of Belle Fourche each appoint two members and the City of Newell appoints one member. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The county retains no equity in the net assets of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Butte County Ambulance Service.

At December 31, 2005 this joint venture had total fund equity of \$280,628.25 and no long-term debt.

Butte-Lawrence County Fair:

The county also participates in a joint venture, known as the Butte-Lawrence County Fair, formed for the purpose of providing a county fair.

The members of the joint venture and their relative percentage of participation are as follows:

County of Butte	50%
County of Lawrence	50%

The joint venture's governing board is composed of up to ten representatives. Two members are appointed by each of the participating counties' board of commissioners. Additional members are appointed by the fair board as needed. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The county retains no equity in the net assets of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Butte-Lawrence County Fair.

At December 31, 2005 this joint venture had total fund equity of \$21,324.94 and no long-term debt.

Western South Dakota Juvenile Service Center Compact:

The county also participates in a joint venture, known as Western South Dakota Juvenile Service Center Compact, formed for the purpose of providing juvenile detention services.

The members of the joint venture and their relative percentage of participation are as follows:

Pennington County	55%
Meade County	15%
Lawrence County	14%
Butte County	6%
Custer County	4%
Fall River County	5%
Harding County	1%

The joint venture's governing board is composed of seven representatives, who are commissioners of each participating county. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The county retains no equity in the net assets of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Pennington County Auditor's Office.

At December 31, 2005 this joint venture had total fund equity of \$3,699,262.95 and long-term debt of \$3,045,000.00.

10. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2005, the County was involved in two lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the County has liability coverage for itself and its employees with SD Public Assurance Alliance. Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

11. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2005, the County managed its risks as follows:

Employee Health Insurance:

The County purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The County joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The County's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the County. The County pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The County pays an annual premium to the pool to provide coverage for:

General liability and vehicle insurance

The agreement with the SDPAA provides that the above coverages will be provided to a \$1,000,000.00 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The County would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of County's First Full Year	50%
End of County's Second Full Year	60%
End of County's Third Full Year	70%
End of County's Fourth Full Year	80%
End of County's Fifth Full Year	90%
End of County's Sixth Full Year and Thereafter	100%

As of December 31, 2005, the County has vested balance in the cumulative reserve fund of \$68,959.03.

The County carries a \$500.00 deductible for the vehicle coverage and no deductible for the general liability coverage.

The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The County joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The County's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The County pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$325,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,675,000 per individual per incident.

The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The County has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

The County has set aside \$1,359.28 for the payment of future unemployment benefits.

During the year ended December 31, 2005 no claims for unemployment benefits were paid. At December 31, 2005 no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

BUTTE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended December 31, 2005

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2004	Expenditures 2005
US Department of Agriculture: Indirect Federal Funding: SD Cooperative Extension Service, Extension Postage Allocation	10.500		\$ 1,447.29	\$ 1,401.98
Department of Housing and Urban Development: Indirect Federal Funding: SD Governor's Office of Economic Development, Community Development Block Grant/States Program (Note 4)	14.228		79,176.00	31,250.00
Department of Interior: Direct Federal Funding: Bureau of Land Management, Payment in Lieu of Taxes (97-258) (Note 2) (Note 3)	15.226		223,690.00	228,620.00
Department of Justice: Indirect Federal Funding: SD Department of Corrections, Juvenile Accountability Incentive Block Grant	16.523		13,013.92	
SD Department of Social Services, Crime Victim Assistance	16.575		159.48	
SD Department of Social Services, Violence Against Women Formula Grants	16.588		17,670.00	22,618.00
SD Governor's Office, Local Law Enforcement Block Grants Program	16.592		2,840.00	1,620.00
SD Sheriff's Association, Public Safety Partnership and Community Policing Grant	16.710		9,266.90	1,570.01
Total Department of Justice			42,950.30	25,808.01
General Services Administration: Indirect Federal Funding: SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 5)	39.003		2,457.27	636.36
Department of Health and Human Services: Indirect Federal Funding: SD Secretary of State, Voting Access for Individuals with Disabilities Grants to States	93.617		4,122.97	
Department of Homeland Security: Indirect Federal Funding: SD Department of Public Safety, Office of Emergency Management,				
Homeland Security Cluster: State Domestic Preparedness Equipment Support Program (Note 3)	97.004		113,691.56	216,608.45
Emergency Management Performance Grants (Note 3)	97.042		8,440.90	
Homeland Security Grant Program (Note 3)	97.067		1,622.59	7,101.66
Emergency Management Performance Grants	97.042			1,997.06
Total Department of Homeland Security			123,755.05	225,707.17
GRAND TOTAL			\$ 477,598.88	\$ 513,423.52

Note 1: This accompanying schedule of expenditures of federal awards includes the federal grant activity of the county and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 3: This represents a Major Federal Financial Assistance Program.

Note 4: Of the federal expenditures presented in the schedule, the county provided federal awards to sub-recipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant/State's Program	14.228	\$ 110,426.00

Note 5: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the county.

BUTTE COUNTY
SCHEDULE OF CHANGES IN LONG-TERM DEBT
For the Two Years Ended December 31, 2005

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2005
GOVERNMENTAL ACTIVITIES				
Financing (Capital Acquisition) Leases	\$ 231,913.00	\$ 82,998.00	\$ (157,531.98)	\$ 157,379.02
Contracts Payable	475,676.29	0.00	(89,949.62)	385,726.67
Governmental Activities				
Long-Term Debt	\$ 707,589.29	\$ 82,998.00	\$ (247,481.60)	\$ 543,105.69